

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature		Date	
Abraham & Gellray, P.C. Aaron M. Stearns			

**Charter Township of Lansing
Ingham County, Michigan**

FINANCIAL STATEMENTS

December 31, 2004

Charter Township of Lansing

Ingham County, Michigan

December 31, 2004

BOARD OF TRUSTEES

John Daher	Supervisor
Susan Aten	Clerk
Kathleen Rodgers	Treasurer
Howard Love	Trustee
Tom Masseau, Jr.	Trustee
Joseph Sambaer	Trustee
Leo Rodgers	Trustee

Charter Township of Lansing
Ingham County, Michigan

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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Charter Township of Lansing
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Lansing, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Charter Township of Lansing for the year ended December 31, 2003 were audited by other auditors whose report, dated June 11, 2004, expressed an unqualified opinion on those statements.

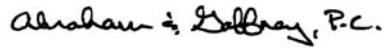
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Lansing, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Lansing's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

The following is a discussion and analysis of Charter Township of Lansing's (the Township's) financial performance and position, providing an overview of the activities for the year ended December 31, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Township's financial statements, which follow this section. 2004 represents the first year the Township implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$3,388,308 (excluding component units).
- Governmental activities net assets were \$998,194.
- Business-type activity net assets were \$2,390,114.
- Component Unit net assets were \$(6,007).

Fund Level:

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$2,572,457 with \$1,907,773 being reserved, designated, or otherwise earmarked for specific purposes (for example debt service).
- The General Fund realized \$26,587 less in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$14,143 less than appropriated.
- Overall, the General Fund balance decreased \$190,848, including a prior period adjustment.

Capital and Long-term Debt Activities:

- The primary government had no new debt issues for the year.
- The total long-term debt (including accumulated compensated absences) for the primary government was \$5,553,506, a decrease of \$383,014 from the prior year.
- The Township remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's annual financial report. The annual financial report of the Township consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

Government-wide Financial Statements (Reporting the Township as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Township as a whole, and about its activities. Their purpose is to assist in answering the question, is the Township, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Township's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Township's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Township's net assets changed during 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Township's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Township's general government departments, public safety, public works, health and welfare (ambulance), economic development, township improvements, street improvements, recreation activities, and other township wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The West Side Water District is the Township's only business-type activity.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Township Board of Trustees appoints a majority of the organization's policy board and there is a degree of financial accountability to the Township. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Township's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Township's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

The major funds for the Charter Township of Lansing include the General Fund, the Tollgate Drain Debt Service Fund, and the West Side Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

The Township's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the Township's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Township's programs. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.
- **Proprietary Funds** - Services for which the Township charges customers (whether outside the Township structure or a Township department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. An example is the West Side Water District Fund.
- **Fiduciary Funds** - The Township may act as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The Township's fiduciary activities are reported in the separate Statement of Net Assets on page 10. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the Township to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 12 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI consists of a budgetary comparison schedule for the General Fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, fiduciary, and component unit funds.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

As previously stated, the Charter Township of Lansing combined net assets were \$3,388,308 at the end of this fiscal year's operations. The net assets of the governmental activities were \$998,194; the business type activities were \$2,390,114.

Net Assets as of December 31, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>
Current Assets	\$ 5,118,542	\$ 290,677	\$ 5,409,219
Noncurrent Assets	<u>2,975,012</u>	<u>3,795,711</u>	<u>6,770,723</u>
Total Assets	<u>\$ 8,093,554</u>	<u>\$ 4,086,388</u>	<u>\$ 12,179,942</u>
Current Liabilities	\$ 3,134,650	\$ 497,428	\$ 3,632,078
Noncurrent Liabilities	<u>3,960,710</u>	<u>1,198,846</u>	<u>5,159,556</u>
Total Liabilities	<u>\$ 7,095,360</u>	<u>\$ 1,696,274</u>	<u>\$ 8,791,634</u>
Net Assets			
Invested in Capital Assets (Net of related debt)	\$ 1,457,579	\$ 2,345,188	\$ 3,802,767
Restricted	1,209,755	-	1,209,755
Unrestricted	<u>(1,669,140)</u>	<u>44,926</u>	<u>(1,624,214)</u>
Total Net Assets	<u>\$ 998,194</u>	<u>\$ 2,390,114</u>	<u>\$ 3,388,308</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's primary government net assets changed during the fiscal year.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

Changes in Net Assets for the Fiscal Year Ending December 31, 2004

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 523,682	\$ 761,550	\$ 1,285,232
Grants and Contributions	767,934	-	767,934
General Revenues			
Property Taxes	2,334,952	-	2,334,952
State Shared Revenue	732,652	-	732,652
Investment Earnings	171,551	6,724	178,275
Miscellaneous	<u>39,451</u>	<u>-</u>	<u>39,451</u>
Total Revenues	4,570,222	768,274	5,338,496
Expenses			
General Government	(983,423)	-	(983,423)
Public Safety	(1,829,068)	-	(1,829,068)
Public Works	(315,317)	-	(315,317)
Health and Welfare	(1,077,069)	-	(1,077,069)
Community and Econ. Dev.	(6,987)	-	(6,987)
Recreation and Cultural	(22,487)	-	(22,487)
Other	<u>(128,084)</u>	<u>(757,769)</u>	<u>(885,853)</u>
Total Expenses	<u>(4,362,435)</u>	<u>(757,769)</u>	<u>(5,120,204)</u>
Increase in Net Assets	207,787	10,505	218,292
Net Assets - Beginning	<u>790,407</u>	<u>2,379,609</u>	<u>3,170,016</u>
Net Assets - Ending	<u>\$ 998,194</u>	<u>\$ 2,390,114</u>	<u>\$ 3,338,308</u>

Governmental Activities:

The result of 2004 governmental activity was an increase of \$207,787 in net assets to \$998,194. Of the total governmental activities' net assets, \$1,457,579 is invested in capital assets less related debt, \$1,209,755 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Township government. The balance of \$(1,669,140) is listed as unrestricted, having no legal commitment. The negative unrestricted net asset position is created by the fact that the Township's financial statements show \$3,742,766 in debt for various drainage and special assessment districts. This debt is serviced through the collection of various special assessments, but the Township does not own the related assets.

Revenues:

The two largest revenue categories were grants and contributions at 17% and property taxes at 51%. The Township levied a property tax millage for the year ended December 31, 2004, for general government operations at 7.75 mills, which is not assigned to any particular activity. Charges for services, which reimburse the Township for specific activities, are the second largest source of governmental activity revenue. Examples include items such as ambulance fees, administrative charges, and permits.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

Expenses:

Public Safety is the largest area of government activity, expending approximately 42% of the governmental activities total on law enforcement, fire protection, and code enforcement. Health and Welfare is the second largest governmental activity, expending approximately 25% of the governmental activities total and includes the Township's ambulance operations.

Business-type Activities:

Net assets in business-type activities increased by \$10,505 during fiscal year 2004. Of the business-type activities' net assets, \$2,345,188 is invested in capital assets net of related debt, \$44,926 is listed as unrestricted, having no legal commitment.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S MAJOR
AND NONMAJOR GOVERNMENTAL FUNDS**

As the Township completed 2004, its governmental funds reported *combined* fund balances of \$2,572,457. This is a net decrease of \$381,232. The net changes are summarized in the following chart:

	General Fund	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 06/30/03	\$ 629,234	\$ 912,402	\$ 1,412,053	\$ 2,953,689
Fund Balance 06/30/04	\$ 438,386	\$ 1,047,404	\$ 1,086,667	\$ 2,572,457
Net Change	\$ (190,848)	\$ 135,002	\$ (325,386)	\$ (381,232)

General Fund:

The General Fund is the chief operating fund of the Township. Unless otherwise required by statute, contractual agreement or Board policy, all Township revenues and expenditures are recorded in the General Fund. As of December 31, 2004, the General Fund reported a fund balance of \$438,386. This amount is a decrease of \$190,848 from the fund balance of \$629,234 reported as of December 31, 2003. The 2004 original budget had called for a \$197,250 use of fund balance. \$369,813 of the fund balance is reported as undesignated.

General Fund Budgetary Highlights:

The Township's budget is an extremely flexible document. Although adopted in September (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy.

Charter Township of Lansing
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004

Capital Asset and Debt Administration:

Capital Assets. At the end of the fiscal year, the Township had approximately \$5,117,100 invested in a broad range of governmental capital assets, including buildings, land, equipment, and utilities.

Long-term Debt. The Township's long-term debt totaled \$5,606,575. These amounts include a Note Payable of \$24,333, an additional ambulance lease of the Component Unit of \$53,069 and amounts due to the Capital Area Transportation Authority of \$62,086.

Current Economic Factors

- State revenue sharing has declined over \$200,000 over the past four years, and may face additional cuts due to state budget problems.
- Property tax revenue has not kept pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs are rising faster than the rate of inflation.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Charter Township of Lansing Treasurer's Office at (517) 485-7115.

BASIC FINANCIAL STATEMENTS

Charter Township of Lansing

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,214,110	\$ 120,586	\$ 1,334,696	\$ 331,431
Receivables	3,194,554	242,794	3,437,348	321,751
Internal balances	92,858	(92,858)	-0-	-
Due from fiduciary funds	260,171	-	260,171	30,675
Due from component unit	25,895	-	25,895	(25,895)
Due from other governmental units	262,381	-	262,381	-
Inventories	-	8,459	8,459	-
Prepays	68,573	11,696	80,269	-
Total current assets	5,118,542	290,677	5,409,219	657,962
Noncurrent assets				
Cash and cash equivalents - restricted	-	27,355	27,355	-
Investments	1,442,433	183,835	1,626,268	-
Capital assets, net	1,532,579	3,584,521	5,117,100	-
Total noncurrent assets	2,975,012	3,795,711	6,770,723	-0-
TOTAL ASSETS	8,093,554	4,086,388	12,179,942	657,962
LIABILITIES				
Current liabilities				
Accounts payable	257,770	13,467	271,237	114,043
Accrued liabilities	109,104	3,360	112,464	-
Accrued interest payable	50,445	14,591	65,036	1,148
Due to other governmental units	-	373,293	373,293	-
Deferred revenue	2,388,743	-	2,388,743	495,709
Current portion of compensated absences	9,000	550	9,550	-
Current portion of long-term debt	319,588	92,167	411,755	16,803
Total current liabilities	3,134,650	497,428	3,632,078	627,703
Noncurrent liabilities				
Payable from restricted cash - customer deposits	-	27,355	27,355	-
Noncurrent portion of compensated absences	400,446	24,325	424,771	-
Noncurrent portion of long-term debt	3,560,264	1,147,166	4,707,430	36,266
Total noncurrent liabilities	3,960,710	1,198,846	5,159,556	36,266
TOTAL LIABILITIES	7,095,360	1,696,274	8,791,634	663,969
NET ASSETS				
Invested in capital assets, net of related debt	1,457,579	2,345,188	3,802,767	-
Restricted for other purposes	82,432	-	82,432	-
Restricted for debt retirement	1,127,323	-	1,127,323	-
Unrestricted	(1,669,140)	44,926	(1,624,214)	(6,007)
TOTAL NET ASSETS	\$ 998,194	\$ 2,390,114	\$ 3,388,308	\$ (6,007)

See accompanying notes to financial statements.

Charter Township of Lansing

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 983,423	\$ 119,110	\$ 1,000	\$ -	\$ (863,313)	\$ -	\$ (863,313)	\$ -
Public safety	1,829,068	701	3,386	-	(1,824,981)	-	(1,824,981)	-
Public works	315,317	80,295	-	763,548	528,526	-	528,526	-
Health and welfare	1,077,069	234,851	-	-	(842,218)	-	(842,218)	-
Community and economic development	6,987	88,725	-	-	81,738	-	81,738	-
Recreation and cultural	22,487	-	-	-	(22,487)	-	(22,487)	-
Interest expense	128,084	-	-	-	(128,084)	-	(128,084)	-
Total governmental activities	4,362,435	523,682	4,386	763,548	(3,070,819)	-0-	(3,070,819)	-0-
Business-type activities								
West Side Water District	757,769	761,550	-	-	-	3,781	3,781	-
Total primary government	<u>\$ 5,120,204</u>	<u>\$ 1,285,232</u>	<u>\$ 4,386</u>	<u>\$ 763,548</u>	(3,070,819)	3,781	(3,067,038)	-0-
Component unit								
Downtown Development Authority	<u>\$ 305,012</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(305,012)
		General revenues						
		Property taxes			2,334,952	-	2,334,952	335,473
		State shared revenue			732,652	-	732,652	-
		Investment earnings			171,551	6,724	178,275	2,893
		Miscellaneous			39,451	-	39,451	-
		Total general revenues			3,278,606	6,724	3,285,330	338,366
		Change in net assets			207,787	10,505	218,292	33,354
		Net assets, beginning of the year			790,407	2,379,609	3,170,016	(39,361)
		Net assets, end of the year			\$ 998,194	\$ 2,390,114	\$ 3,388,308	\$ (6,007)

See accompanying notes to financial statements.

Charter Township of Lansing

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 172,939	\$ 405,316	\$ 635,855	\$ 1,214,110
Investments	250,297	831,897	360,239	1,442,433
Receivables				
Accounts	49,976	-	-	49,976
Taxes	1,781,091	-	80,326	1,861,417
Special assessments	-	916,365	366,796	1,283,161
Due from other funds	215,087	1,875	71,473	288,435
Advance to other funds	-	-	90,000	90,000
Due from other governmental units - State	262,381	-	-	262,381
Due from component unit	25,895	-	-	25,895
Prepays	68,573	-	-	68,573
TOTAL ASSETS	\$ 2,826,239	\$ 2,155,453	\$ 1,604,689	\$ 6,586,381
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 44,111	\$ 150,844	\$ 62,815	\$ 257,770
Accrued payroll	49,326	-	-	49,326
Accrued liabilities	6,312	53,466	-	59,778
Due to other funds	22,641	-	2,765	25,406
Deferred revenue	2,265,463	903,739	452,442	3,621,644
TOTAL LIABILITIES	2,387,853	1,108,049	518,022	4,013,924
FUND BALANCES				
Reserved for				
Prepays	68,573	-	-	68,573
Debt service	-	1,047,404	130,364	1,177,768
Capital projects	-	-	661,432	661,432
Unreserved				
Undesignated, reported in				
General fund	369,813	-	-	369,813
Special revenue funds	-	-	136,218	136,218
Capital projects funds	-	-	158,653	158,653
TOTAL FUND BALANCES	438,386	1,047,404	1,086,667	2,572,457
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,826,239	\$ 2,155,453	\$ 1,604,689	\$ 6,586,381

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balance - governmental funds **\$ 2,572,457**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,788,455	
Accumulated depreciation is	<u>(2,255,876)</u>	
Capital assets, net		1,532,579

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	1,232,901
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Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds and notes payable	(3,879,852)	
Accrued interest payable	(50,445)	
Compensated absences	<u>(409,446)</u>	
		<u>(4,339,743)</u>

Net assets of governmental activities	<u><u>\$ 998,194</u></u>
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See accompanying notes to financial statements.

Charter Township of Lansing

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Tollgate Drain Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,308,824	\$ -	\$ 26,128	\$ 2,334,952
Licenses and permits	159,346	-	-	159,346
Intergovernmental	732,652	-	12,768	745,420
Charges for services	244,515	-	-	244,515
Fines and forfeits	6,751	-	-	6,751
Interest and rents	59,385	100,685	38,086	198,156
Other	44,405	351,478	98,580	494,463
TOTAL REVENUES	3,555,878	452,163	175,562	4,183,603
EXPENDITURES				
Current				
General government	941,021	-	-	941,021
Public safety	2,649,102	-	12,768	2,661,870
Public works	25,102	-	129,201	154,303
Health and welfare	78,093	-	-	78,093
Community and economic development	6,987	-	-	6,987
Recreation and cultural	5,541	-	-	5,541
Capital outlay	-	-	269,330	269,330
Debt service	-	359,022	69,388	428,410
TOTAL EXPENDITURES	3,705,846	359,022	480,687	4,545,555
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(149,968)	93,141	(305,125)	(361,952)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	41,861	23,198	65,059
Operating transfers out	(21,600)	-	(43,459)	(65,059)
TOTAL OTHER FINANCING SOURCES (USES)	(21,600)	41,861	(20,261)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(171,568)	135,002	(325,386)	(361,952)
Fund balances, beginning of year	629,234	912,402	1,412,053	2,953,689
Prior period adjustments	(19,280)	-	-	(19,280)
Fund balances, end of year	\$ 438,386	\$1,047,404	\$1,086,667	\$ 2,572,457

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ (361,952)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 125,517	
Depreciation expense	<u>(224,917)</u>	
Excess of depreciation expense over capital outlay		(99,400)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	386,619
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Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirement	295,500
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	4,826	
(Increase) in compensated absences	<u>(17,806)</u>	
		<u>(12,980)</u>

Change in net assets of governmental activities	<u><u>\$ 207,787</u></u>
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See accompanying notes to financial statements.

Charter Township of Lansing
Proprietary Funds
STATEMENT OF NET ASSETS
December 31, 2004

	<u>West Side Water District</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 120,586
Accounts receivable	235,917
Delinquent utilities receivable	6,877
Inventories	8,459
Prepays	11,696
Due from other funds	<u>1,736</u>
Total current assets	385,271
Noncurrent assets	
Cash and cash equivalents - restricted	27,355
Investments	183,835
Capital assets, net	<u>3,584,521</u>
Total noncurrent assets	<u>3,795,711</u>
TOTAL ASSETS	4,180,982
LIABILITIES	
Current liabilities	
Accounts payable	13,467
Accrued liabilities	3,360
Accrued interest payable	14,591
Due to other governmental units - local	373,293
Due to other funds	4,594
Current portion of compensated absences	550
Current portion of long-term debt	<u>92,167</u>
Total current liabilities	502,022
Noncurrent liabilities	
Advance from other funds	90,000
Payable from restricted cash - customer deposits payable	27,355
Noncurrent portion of compensated absences	24,325
Noncurrent portion of long-term debt	<u>1,147,166</u>
Total noncurrent liabilities	<u>1,288,846</u>
TOTAL LIABILITIES	<u>1,790,868</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,345,188
Unrestricted	<u>44,926</u>
TOTAL NET ASSETS	<u><u>\$ 2,390,114</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	<u>West Side Water District</u>
OPERATING REVENUES	
Charges for services	\$ 649,745
Collection fees and other charges	79,920
Rents	31,200
Other	<u>685</u>
TOTAL OPERATING REVENUES	761,550
OPERATING EXPENSES	
Salaries and wages	203,169
Fringe benefits	71,913
Water purchases	98,373
Fuel and utilities	16,125
Operating supplies	27,767
Contractual services	50,907
Insurance	22,129
Repairs and maintenance	38,169
Rent	13,563
Transportation	3,732
Other	6,786
Depreciation	<u>155,441</u>
TOTAL OPERATING EXPENSES	<u>708,074</u>
OPERATING INCOME	53,476
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	6,724
Interest expense	(48,257)
Loss on disposal of capital asset	<u>(1,438)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(42,971)</u>
CHANGE IN NET ASSETS	10,505
Net assets, beginning of year	<u>2,379,609</u>
Net assets, end of year	<u><u>\$ 2,390,114</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended December 31, 2004

	<u>West Side Water District</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 753,370
Cash paid to suppliers	(379,752)
Cash paid for employee benefits	(71,913)
Cash paid to employees	<u>(223,811)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,894
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to other funds	(33,666)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(11,596)
Interest expense	<u>(48,257)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(59,853)
CASH FLOWS FROM INVESTING ACTIVITIES	
Maturity of investments	183,741
Purchase of investments	(183,835)
Interest revenue	6,724
Principal payments	<u>(92,167)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(85,537)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(101,162)
Restated cash and cash equivalents, beginning of year	<u>249,103</u>
Cash and cash equivalents, end of year	<u><u>\$ 147,941</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 53,476
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	155,441
Loss on disposal of capital assets	1,438
(Increase) in receivables	(9,508)
(Increase) in prepaids	(1,263)
Decrease in inventories	1,196
(Decrease) in due to other governmental units	(92,867)
(Decrease) in accounts payable	(7,148)
(Decrease) in accrued liabilities	(7,489)
(Decrease) in accrued interest payable	(2,119)
(Decrease) in accrued compensated absences	(13,153)
(Decrease) in customer deposits	<u>(110)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 77,894</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing
Fiduciary Funds
STATEMENT OF NET ASSETS
December 31, 2004

	Employee Sick Leave and Retirement	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 35,054	\$ 938,075
Investments	29,653	-
TOTAL ASSETS	<u>\$ 64,707</u>	<u>\$ 938,075</u>
LIABILITIES		
Due to primary government	\$ -	\$ 260,171
Due to component units	-	30,675
Due to other governmental units - local	-	647,229
TOTAL LIABILITIES	<u>-0-</u>	<u>\$ 938,075</u>
NET ASSETS		
Held in trust for employee benefits	<u>\$ 64,707</u>	

See accompanying notes to financial statements.

Charter Township of Lansing
Fiduciary Funds
STATEMENT OF CHANGES IN NET ASSETS
Year Ended December 31, 2004

	Employee Sick Leave and Retirement
ADDITIONS	
Interest	<u>\$ 1,096</u>
TOTAL CHANGE IN NET ASSETS	1,096
Net assets, beginning of year	<u>63,611</u>
Net assets, end of year	<u><u>\$ 64,707</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Lansing, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Supervisor and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including water and sewer, general government, law enforcement, fire protection and prevention, maintenance of highway, streets and bridges, and community enrichment.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Charter Township of Lansing (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Units

- a. Building Authority - The Building Authority is governed by a three (3) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of the Township's public buildings.
- b. West Side Water District - The West Side Water District is governed by a six (6) member board appointed by the Township supervisor and approved by the Township board. The District (Enterprise Fund) accounts for the operations of the Township water and sewer systems. Revenues are derived primarily from user fees based on water usage. The enterprise fund also bills, collects, and remits sewer fees for the City of Lansing and Delta Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Charter Township of Lansing contain all the funds controlled by the Township Board.

3. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the Charter Township of Lansing remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the Township Board. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt, the construction of public facilities, and the promotion and facilitation of economic growth in the development district. The Authority's budget and debt issuance is subject to the approval of the Township Board.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Tollgate Drain Debt Service Fund is used to account for special assessments and debt service associated with the Tollgate Drainage District.
- c. The West Side Water Fund is used to account for the operations of the Township water and sewer system. Revenues are derived primarily from user fees based on water usage. The enterprise fund also bills, collects, and remits sewer fees for the City of Lansing and Delta Township.

5. Measurement Focus

The government-wide, proprietary, and nonagency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Cash and Cash Equivalents - Restricted

The Township restricted cash is for utility customer deposits being held by the Township.

10. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

11. Property Tax

The Charter Township of Lansing bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levies are due February 14. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2004 tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$7.75 per \$1,000 of taxable valuation for general governmental services. For the year ended December 31, 2004, the Township levied 7.75 mills for general governmental services. The total taxable value for the 2003 levy for property within the Township was \$288,952,000.

12. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2004 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	10 - 25 years
Buildings and improvements	10 - 40 years
Machinery, equipment, and furniture	5 - 30 years
Vehicles	5 - 15 years
Water and sewer systems	10 - 50 years

15. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2004, but which are levied to finance year 2005 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

19. Accounting Change

As of January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. A reconciliation is presented between the fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$3,280,050, which were previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's capital assets.
- Long-term obligations reported on the statement of net assets include obligations of \$4,581,724, which were previously reported in the General Long-term Debt Account Group.
- The governmental fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of December 31, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 405,492	\$ 540,528
Savings	338,315	338,315
Certificates of Deposit	<u>657,121</u>	<u>657,121</u>
Total primary government	1,400,928	1,535,964
FIDUCIARY FUNDS		
Checking	33,155	167,966
COMPONENT UNIT		
Checking	114,596	215,150
Savings	<u>216,835</u>	<u>216,835</u>
Total component unit	<u>331,431</u>	<u>431,985</u>
TOTAL REPORTING ENTITY	<u>\$ 1,765,514</u>	<u>\$ 2,135,915</u>

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2004, the Township accounts were insured by the FDIC for \$475,703, and the amount of \$1,660,212 was uninsured and uncollateralized.

As of December 31, 2004, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
Insured or registered for which the securities are held by the Township's agent in the Township's name -		
Federal Home Loan Bank	\$ 194,844	\$ 194,844
Federal Home Loan Mortgage	559,913	559,913
Federal National Mortgage Association	36,216	36,213
Government National Mortgage Association	<u>159,277</u>	<u>159,277</u>
	950,250	950,250
Uncategorized pooled investment funds	<u>634,671</u>	<u>634,671</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,584,921</u>	<u>\$ 1,584,921</u>
FIDUCIARY FUNDS		
Insured or registered for which the securities are held by the Township's agent in the Township's name -		
Federal Home Loan Mortgage	\$ 29,653	\$ 29,653
Federal National Mortgage Association	<u>8,744</u>	<u>8,744</u>
	38,397	38,397
Uncategorized pooled investment funds	<u>931,230</u>	<u>931,230</u>
TOTAL FIDUCIARY FUNDS	<u>\$ 969,627</u>	<u>\$ 969,627</u>

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,334,696	\$ 331,431	\$ 973,129	\$ 2,639,256
Cash and cash equivalents - restricted	27,355	-	-	27,355
Investments	<u>1,626,268</u>	<u>-</u>	<u>29,653</u>	<u>1,655,921</u>
	<u>\$ 2,988,319</u>	<u>\$ 331,431</u>	<u>\$ 1,002,782</u>	<u>\$ 4,322,532</u>

The cash and cash equivalents captions in the basic financial statements include \$2,470 in petty cash.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to Tollgate Drain Debt Service Fund from:	
Nonmajor governmental funds	\$ <u>41,861</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 21,600
Nonmajor governmental funds	<u>1,598</u>
Total transfers to nonmajor governmental fund from other funds	\$ <u>23,198</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2004:

Due to General Fund from:	
West Side Water District Fund	\$ 4,594
Fiduciary funds	<u>210,493</u>
	215,087
Due to West Side Water District Fund from:	
Fiduciary funds	1,736
Due to Tollgate Drain Debt Service Fund from:	
Fiduciary funds	1,875
Due to nonmajor governmental funds from:	
General Fund	22,641
Other nonmajor governmental funds	2,765
Fiduciary funds	<u>46,067</u>
	<u>71,473</u>
Total interfund receivables and payables	\$ <u>290,171</u>

The following schedule details interfund receivables and payables between the primary government and component unit at December 31, 2004:

Due to General Fund from:	
Component unit	\$ <u>25,895</u>
Due to component unit from:	
Fiduciary funds	\$ <u>30,675</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE E: ADVANCES RECEIVABLE AND PAYABLES

The following schedule details advances receivable and payable between the primary government at December 31, 2004:

Advance from nonmajor governmental funds to:	
West Side Water District Fund	<u>\$ 90,000</u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Restated Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2004</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,411	\$ -	\$ -	\$ 12,411
Capital assets being depreciated				
Land improvements	630,709	14,443	-	645,152
Buildings and improvements	1,019,901	6,500	-	1,026,401
Machinery and equipment	789,147	71,982	-	861,129
Vehicles	1,049,285	21,334	-	1,070,619
Office equipment and furniture	<u>161,485</u>	<u>11,258</u>	<u>-</u>	<u>172,743</u>
Total capital assets being depreciated	3,650,527	125,517	-0-	3,776,044
Less accumulated depreciation for:				
Land improvements	(131,458)	(30,075)	-	(161,533)
Buildings and improvements	(648,287)	(31,400)	-	(679,687)
Machinery and equipment	(505,561)	(61,025)	-	(566,586)
Vehicles	(660,556)	(87,607)	-	(748,163)
Office equipment and furniture	<u>(85,097)</u>	<u>(14,810)</u>	<u>-</u>	<u>(99,907)</u>
Total accumulated depreciation	<u>(2,030,959)</u>	<u>(224,917)</u>	<u>-0-</u>	<u>(2,255,876)</u>
Net capital assets being depreciated	<u>1,619,568</u>	<u>(99,400)</u>	<u>-0-</u>	<u>1,520,168</u>
Net capital assets	<u>\$ 1,631,979</u>	<u>\$ (99,400)</u>	<u>\$ -0-</u>	<u>\$ 1,532,579</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 39,623
Health and welfare	35,897
Public safety	115,250
Public works	17,201
Recreation and cultural	<u>16,946</u>
Total depreciation expense	<u>\$ 224,917</u>

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Business-type activities				
Capital assets not being depreciated				
Land	\$ 27,701	\$ -	\$ -	\$ 27,701
Capital assets being depreciated				
Sewer system	5,241,624	6,699	-	5,248,323
Buildings and improvements	76,817	-	-	76,817
Office equipment and furniture	90,195	1,277	(8,656)	82,816
Equipment	<u>272,134</u>	<u>3,620</u>	<u>(3,972)</u>	<u>271,782</u>
Total capital assets being depreciated	5,680,770	11,596	(12,628)	5,679,738
Less accumulated depreciation for:				
Sewer system	(1,742,768)	(119,554)	-	(1,862,322)
Buildings and improvements	(37,649)	(3,184)	-	(40,833)
Office equipment and furniture	(45,681)	(12,504)	4,328	(53,857)
Equipment	<u>(149,679)</u>	<u>(20,199)</u>	<u>3,972</u>	<u>(165,906)</u>
Total accumulated depreciation	<u>(1,975,777)</u>	<u>(155,441)</u>	<u>8,300</u>	<u>(2,122,918)</u>
Net capital assets being depreciated	<u>3,704,993</u>	<u>(143,845)</u>	<u>(4,328)</u>	<u>3,556,820</u>
Net capital assets	<u>\$ 3,732,694</u>	<u>\$ (143,845)</u>	<u>\$ (4,328)</u>	<u>\$ 3,584,521</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2004:

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amount Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
2002 Sidewalk Improvement Bonds	\$ 80,000	\$ -	\$ 20,000	\$ 60,000	\$ 20,000
2002 Special Assessment Sidewalk Bonds	20,000	-	5,000	15,000	5,000
1998 Ambulance Note Payable	24,132	-	24,132	-0-	-
1996 City of Lansing Sewer Bonds - Tollgate #2	633,118	-	39,304	593,814	39,304
1996 County of Ingham Tollgate Drain Bonds	2,578,934	-	135,517	2,443,417	143,730
1999 Tollgate #2 Debt Service - Deficiency Bonds	117,900	-	36,025	81,875	39,300
2002 Special Assessment - Sewer System Bonds	460,000	-	20,000	440,000	20,000
2002 Wood Street Sanitary - Sewer Note Payable	183,660	-	-	183,660	36,732
Due to CATA - SBT Reimbursement	77,608	-	15,522	62,086	15,522
Accumulated compensated absences	<u>391,640</u>	<u>17,806</u>	<u>-</u>	<u>409,446</u>	<u>9,000</u>
	4,566,992	17,806	295,500	4,289,298	328,588

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amount Due Within One Year
PRIMARY GOVERNMENT					
Business-type activities					
1996 Water Supply System					
No. 2 Bonds	\$ 390,000	\$ -	\$ 30,000	\$ 360,000	\$ 30,000
1998 Michigan Municipal Bonds	320,000	-	20,000	300,000	20,000
1999 Michigan Municipal Bonds	585,000	-	30,000	555,000	30,000
2003 John Deere Note	36,500	-	12,167	24,333	12,167
Accumulated compensated absences	38,028	-	13,153	24,875	550
	<u>1,369,528</u>	<u>-0-</u>	<u>105,320</u>	<u>1,264,208</u>	<u>92,717</u>
TOTAL PRIMARY GOVERNMENT	\$ 5,936,520	\$ 17,806	\$ 400,820	\$ 5,553,506	\$ 421,305
COMPONENT UNIT					
Downtown Development Authority					
2002 Ambulance Lease	\$ 69,043	\$ -	\$ 15,974	\$ 53,069	\$ 16,803

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct Township Obligation

\$95,000 Sidewalk Improvement Bonds Series 2002, dated December 1, 2002, due in annual installments of \$20,000 through October 1, 2007, with an interest rate of 2.0 percent, payable semi-annually.	\$ 60,000
\$25,000 Special Assessment Sidewalk Bonds, due in annual installments of \$5,000 through October 1, 2007, with an interest rate of 2.0 percent, payable semi-annually.	15,000
\$848,760 City of Lansing Tollgate #2 Sewer Bonds Series 1996, dated August 3, 1996, due in annual installments ranging from \$39,304 to \$52,052 through August 1, 2017, with an interest rate of 2.25 percent, payable semi-annually.	593,814
\$3,346,865 County of Ingham Tollgate Drain Bonds Series 1996, dated October 1, 1996, due in annual installments ranging from \$143,730 to \$271,034 through October 1, 2016, with interest ranging from 4.8 percent to 6.8 percent, payable annually.	2,443,417
\$225,860 Tollgate #2 Debt Service Deficiency Bonds Series 1999, dated September 16, 1999, due in annual installments of \$39,300 and \$42,575 through September 1, 2006, with an interest rate of 4.9 percent, payable annually.	81,875
\$465,000 Special Assessment Sewer System Improvement Bonds Series 2002, dated October 1, 2002, due in annual installments ranging from \$5,000 to \$25,000 through October 1, 2022, with interest ranging from 3.0 percent to 6.0 percent, payable semi-annually.	440,000
\$183,660 Ingham County Road Commission Wood Street Sanitary Sewer note dated July 31, 2002, due in annual installments of \$36,732 starting April 1, 2005 through April 1, 2009, payable annually.	183,660

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Direct Township Obligation - continued

\$490,000 Water Supply System No. 2 Bonds Series 1998, dated August 1, 1995, due in annual installments of \$30,000 through April 1, 2016, with interest ranging from 5.2 percent to 6 percent, payable semi-annually. \$ 360,000

\$397,981 Michigan Municipal Bond Authority Series 1998, dated September 29, 1998, due in annual installments ranging from \$20,000 to \$25,000 through October 1, 2018, with an interest rate of 2.5 percent, payable semi-annually. 300,000

\$704,392 Michigan Municipal Bond Authority Series 1999, dated June 24, 1999, due in annual installments ranging from \$30,000 to \$45,000 through October 1, 2019, with an interest rate of 2.5 percent, payable semi-annually. 555,000

Total Direct Township Obligations \$ 5,032,766

Note Payable

\$36,500 John Deere Note, dated October 20, 2003, due in annual installments of \$12,167 and \$12,166 through October 1, 2006. \$ 24,333

Due to CATA - SBT Reimbursement

Past-due amounts payable to Capital Area Transportation Authority, arising from non-payment of Single Business Tax Inventory Reimbursements for 2000 - 2003. \$ 62,086

COMPONENT UNIT

\$84,229 Wheeled Coach Type III Ambulance lease dated August 1, 2002, due in annual installments ranging from \$16,803 to \$18,592 through August 1, 2007, with interest of 5.2 percent, payable annually. \$ 53,069

The annual requirements to pay the debt principal and interest outstanding for bonds, notes, and leases payable are as follows:

PRIMARY GOVERNMENT

Year Ending December 31,	2002 Sidewalk Improvement Bonds		2002 Special Assessment Sidewalk Bonds		1996 City of Lansing Tollgate #2 Sewer Bonds		1996 County of Ingham Tollgate Drain Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 2,400	\$ 5,000	\$ 600	\$ 39,304	\$ 13,302	\$ 143,730	\$ 118,658
2006	20,000	1,600	5,000	400	41,429	12,418	156,050	108,465
2007	20,000	800	5,000	200	41,429	11,486	164,263	99,217
2008	-	-	-	-	42,491	10,554	172,476	91,135
2009	-	-	-	-	43,553	9,598	184,796	82,561
2010-2014	-	-	-	-	232,640	32,859	1,092,352	265,854
2015-2019	-	-	-	-	152,968	6,756	529,750	25,992
2020-2024	-	-	-	-	-	-	-	-
	<u>\$ 60,000</u>	<u>\$ 4,800</u>	<u>\$ 15,000</u>	<u>\$ 1,200</u>	<u>\$ 593,814</u>	<u>\$ 96,973</u>	<u>\$ 2,443,417</u>	<u>\$ 791,882</u>

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Year Ending December 31,	1999 Tollgate #2 Debt Service Bonds		2002 Special Assessment Sewer Improvement Bonds		Ingham County Road Commission Wood Street Sewer Note		1996 Water Supply System #2 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 39,300	\$ 4,053	\$ 20,000	\$ 19,155	\$ 36,732	\$ -	\$ 30,000	\$ 19,710
2006	42,575	2,107	25,000	17,955	36,732	-	30,000	18,135
2007	-	-	25,000	16,455	36,732	-	30,000	16,530
2008	-	-	30,000	14,955	36,732	-	30,000	14,895
2009	-	-	30,000	14,055	36,732	-	30,000	13,230
2010-2014	-	-	130,000	55,770	-	-	150,000	40,185
2015-2019	-	-	125,000	30,188	-	-	60,000	3,600
2020-2024	-	-	55,000	4,437	-	-	-	-
	<u>\$ 81,875</u>	<u>\$ 6,160</u>	<u>\$ 440,000</u>	<u>\$ 172,970</u>	<u>\$ 183,660</u>	<u>\$ -0-</u>	<u>\$ 360,000</u>	<u>\$ 126,285</u>

Year Ending December 31,	1998 Michigan Municipal Bonds		1999 Michigan Municipal Bonds		John Deere Note Payable		Due to CATA SBT Reimbursement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 7,498	\$ 30,000	\$ 13,875	\$ 12,167	\$ -	\$ 15,522	\$ -
2006	20,000	6,999	30,000	13,125	12,166	-	15,522	-
2007	20,000	6,498	30,000	12,375	-	-	15,521	-
2008	20,000	5,999	35,000	11,625	-	-	15,521	-
2009	20,000	5,498	35,000	10,750	-	-	-	-
2010-2014	105,000	19,617	185,000	40,500	-	-	-	-
2015-2019	95,000	6,119	210,000	16,125	-	-	-	-
2020-2024	-	-	-	-	-	-	-	-
	<u>\$ 300,000</u>	<u>\$ 58,228</u>	<u>\$ 555,000</u>	<u>\$ 118,375</u>	<u>\$ 24,333</u>	<u>\$ -0-</u>	<u>\$ 62,086</u>	<u>\$ -0-</u>

COMPONENT UNIT

Year Ending December 31,	2002 Ambulance Lease	
	Principal	Interest
2005	\$ 16,803	\$ 2,754
2006	17,674	1,882
2007	18,592	965
	<u>\$ 53,069</u>	<u>\$ 5,601</u>

Accrued Compensated Absences - Governmental Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$409,446 at December 31, 2004. The amounts of \$9,000 and \$400,446 have been reported as current and noncurrent liabilities, respectively.

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G: LONG-TERM DEBT - CONTINUED

Accrued Compensated Absences - Business-Type Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$24,875 at December 31, 2004. The amounts of \$550 and \$24,325 have been reported as current and noncurrent liabilities, respectively.

NOTE H: RETIREMENT PLAN

The Township has a defined contribution pension plan covering all full time employees. This benefit is an insurance-type plan administered under the provisions of Section 401(a) of the Internal Revenue Code. The plan is administered by Massachusetts Mutual Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The plan requires the employer to contribute fifteen percent of the participating employee's gross wages up to \$32,500, with complete vesting within four years.

During the year, the Township's required and actual contributions amounted to \$230,809 which was fifteen percent of its current year covered payroll.

NOTE I: RISK MANAGEMENT

The Township is exposed to various risks of loss for liability, property, automobile, and employer's liability for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE J: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of December 31, 2004:

General Fund	
Reserved for prepaids	<u>\$ 68,573</u>

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE J: FUND BALANCE RESERVES - CONTINUED

Tollgate Drain Fund	
Reserved for debt service	<u>\$ 1,047,404</u>
Nonmajor governmental funds	
Reserved for debt service	\$ 130,364
Reserved for capital projects	<u>661,432</u>
	<u>\$ 791,796</u>

NOTE K: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Debt retirement	<u>\$ 1,127,323</u>
Other purposes	
Street lighting	\$ 22,266
Sidewalks	46,214
Drug law enforcement	<u>13,952</u>
	<u>\$ 82,432</u>

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the body of the required supplementary information, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The Township's budgeted expenditures for nonmajor Special Revenue Funds are not required to be reported in the financial statements. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2004 the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public safety	\$ 2,636,969	\$ 2,649,102	\$ 12,133
Public works	24,500	25,102	602

Charter Township of Lansing
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE M: BUILDING AND ZONING FINANCIAL INFORMATION

The Township elected to report the financial activities of the building and zoning department in the General Fund. The following is the required information as it relates to this department for the year ended December 31, 2004:

REVENUES	
Building permits	\$ 87,675
EXPENDITURES	
Salaries and fringes	64,672
Supplies and other	<u>3,269</u>
TOTAL EXPENDITURES	<u>67,941</u>
EXCESS OF REVENUES OVER EXPENDITURES	19,734
PRIOR CUMULATIVE EXCESS OF EXPENDITURES OVER REVENUE	<u>(73,862)</u>
CUMULATIVE EXCESS OF EXPENDITURES OVER REVENUE	<u><u>\$ (54,128)</u></u>

NOTE N: WHOLESALE WATER SERVICE AGREEMENT

The Township entered into an agreement with the Board of Water and Light on June 28, 1995, to purchase conditioned potable water and to provide raw water to the Board. For the year ended December 31, 2004, the Township incurred water charges of \$98,373.

NOTE O: PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made during the current period, which was the result of a correction of an accounting error. This adjustment was reported as a change to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	<u>December 31,</u> <u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
General Fund			
Accounts payable	\$ -	\$ 19,280	Correct understatement of accounts payable
Revenue over (under) expenditures	-	(19,280)	
Fund balance - beginning	(19,280)	-	

NOTE P: CONTINGENT LIABILITIES

There are two (2) material legal actions pending against Lansing Charter Township, challenging various aspects of the Downtown Development Authority's capture of property tax revenues, including the validity of the DDA itself. The Township's attorney states that the likelihood of an unfavorable outcome in either case is neither probable nor remote. Pursuant to a court order in one of the cases, however, the Township has been required to escrow certain captured revenues which are shown in the Downtown Development Authority as accounts payable. No additional liability has been recorded in the financial statements related to these actions.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 2,303,802	\$ 2,322,894	\$ 2,308,824	\$ (14,070)
Licenses and permits	182,765	159,478	159,346	(132)
Intergovernmental	805,270	748,843	732,652	(16,191)
Charges for services	235,100	231,350	244,515	13,165
Fines and forfeits	1,200	6,100	6,751	651
Interest and rents	66,000	65,000	59,385	(5,615)
Other	57,800	48,800	44,405	(4,395)
TOTAL REVENUES	3,651,937	3,582,465	3,555,878	(26,587)
EXPENDITURES				
General government				
Legislative	45,391	46,785	41,320	5,465
Executive	135,927	136,092	136,452	(360)
Clerk	228,544	230,875	234,661	(3,786)
Treasurer	117,879	116,582	118,703	(2,121)
Assessor	38,847	33,005	31,194	1,811
Elections	23,850	15,700	15,285	415
Hall and grounds	90,351	99,101	86,648	12,453
Attorney	80,000	91,000	96,123	(5,123)
Other	184,517	180,267	180,635	(368)
Total general government	945,306	949,407	941,021	8,386
Public safety				
Police department	1,285,711	1,208,585	1,216,594	(8,009)
Fire department	1,383,138	1,360,410	1,364,567	(4,157)
Building inspection	77,319	67,974	67,941	33
Total public safety	2,746,168	2,636,969	2,649,102	(12,133)
Public works	20,000	24,500	25,102	(602)
Health and welfare	78,165	78,165	78,093	72
Community and economic development	20,078	13,078	6,987	6,091
Recreation and cultural	16,270	16,270	5,541	10,729
TOTAL EXPENDITURES	3,825,987	3,718,389	3,705,846	12,543
EXCESS OF REVENUES (UNDER) EXPENDITURES	(174,050)	(135,924)	(149,968)	(14,044)

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
OTHER FINANCING (USES)				
Operating transfers out	<u>\$ (23,200)</u>	<u>\$ (23,200)</u>	<u>\$ (21,600)</u>	<u>\$ 1,600</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES AND OTHER FINANCING USES	(197,250)	(159,124)	(171,568)	(12,444)
Fund balance, beginning of year	629,234	629,234	629,234	-0-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(19,280)</u>	<u>(19,280)</u>
Fund balance, end of year	<u><u>\$ 431,984</u></u>	<u><u>\$ 470,110</u></u>	<u><u>\$ 438,386</u></u>	<u><u>\$ (31,724)</u></u>

OTHER SUPPLEMENTARY INFORMATION

Charter Township of Lansing
Nonmajor Governmental Funds
COMBINING BALANCE SHEET

December 31, 2004

	Special Revenue Funds			
	Street Lights	Budget Stabilization	Drug Law Enforcement	Liquor License
ASSETS				
Cash and cash equivalents	\$ 22,266	\$ -	\$ 10,591	\$ -
Investments	-	100,000	-	-
Taxes receivable	80,326	-	-	-
Special assessments receivable	-	-	-	-
Due from other funds	62,234	-	3,361	-
Advance to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 164,826</u>	<u>\$ 100,000</u>	<u>\$ 13,952</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 19,280	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	123,280	-	-	-
TOTAL LIABILITIES	142,560	-0-	-0-	-0-
FUND BALANCES				
Reserved for				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved				
Undesignated, reported in				
Special revenue funds	22,266	100,000	13,952	-
Capital projects funds	-	-	-	-
TOTAL FUND BALANCES	<u>22,266</u>	<u>100,000</u>	<u>13,952</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 164,826</u>	<u>\$ 100,000</u>	<u>\$ 13,952</u>	<u>\$ -0-</u>

Debt Service Funds			Capital Projects Funds	
Building Authority	Sanitary Sewer	Sidewalks	Capital Improvement	Sidewalks
\$ 310	\$ 91,228	\$ -	\$ 169,058	\$ 44,293
-	-	-	-	-
-	-	-	-	-
-	346,243	12,605	-	7,948
-	1,096	3,923	-	859
-	-	-	-	-
<u>\$ 310</u>	<u>\$ 438,567</u>	<u>\$ 16,528</u>	<u>\$ 169,058</u>	<u>\$ 53,100</u>
\$ -	\$ -	\$ -	\$ 43,535	\$ -
-	-	-	-	2,765
-	316,532	8,509	-	4,121
-0-	316,532	8,509	43,535	6,886
310	122,035	8,019	-	-
-	-	-	-	46,214
-	-	-	-	-
-	-	-	125,523	-
<u>310</u>	<u>122,035</u>	<u>8,019</u>	<u>125,523</u>	<u>46,214</u>
<u>\$ 310</u>	<u>\$ 438,567</u>	<u>\$ 16,528</u>	<u>\$ 169,058</u>	<u>\$ 53,100</u>

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Capital Projects Funds - continued			Total Nonmajor Governmental Funds
	Parks	Sanitary Sewer	Drains	
ASSETS				
Cash and cash equivalents	\$ 33,130	\$ 5,649	\$ 259,330	\$ 635,855
Investments	-	-	260,239	360,239
Taxes receivable	-	-	-	80,326
Special assessments receivable	-	-	-	366,796
Due from other funds	-	-	-	71,473
Advance to other funds	-	-	90,000	90,000
TOTAL ASSETS	<u>\$ 33,130</u>	<u>\$ 5,649</u>	<u>\$ 609,569</u>	<u>\$ 1,604,689</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 62,815
Due to other funds	-	-	-	2,765
Deferred revenue	-	-	-	452,442
TOTAL LIABILITIES	-0-	-0-	-0-	518,022
FUND BALANCES				
Reserved for				
Debt service	-	-	-	130,364
Capital projects	-	5,649	609,569	661,432
Unreserved				
Undesignated, reported in				
Special revenue funds	-	-	-	136,218
Capital projects funds	33,130	-	-	158,653
TOTAL FUND BALANCES	<u>33,130</u>	<u>5,649</u>	<u>609,569</u>	<u>1,086,667</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,130</u>	<u>\$ 5,649</u>	<u>\$ 609,569</u>	<u>\$ 1,604,689</u>

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special Revenue Funds			
	Street Lights	Budget Stabilization	Drug Law Enforcement	Liquor License
REVENUES				
Taxes	\$ 26,128	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	12,768
Interest and rents	156	-	55	-
Other	73,130	-	-	-
TOTAL REVENUES	99,414	-0-	55	12,768
EXPENDITURES				
Current				
Public safety	-	-	-	12,768
Public works	121,419	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	121,419	-0-	-0-	12,768
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,005)	-0-	55	-0-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(22,005)	-0-	55	-0-
Fund balances, beginning of year	44,271	100,000	13,897	-
Fund balances, end of year	\$ 22,266	\$ 100,000	\$ 13,952	\$ -0-

Debt Service Funds			Capital Projects Funds	
Building Authority	Sanitary Sewer	Sidewalks	Capital Improvement	Sidewalks
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	15,875	816	2,196	879
-	15,708	4,779	-	4,963
-0-	31,583	5,595	2,196	5,842
-	-	-	-	-
-	-	-	-	-
-	-	-	55,384	-
35	40,355	28,998	-	-
35	40,355	28,998	55,384	-0-
(35)	(8,772)	(23,403)	(53,188)	5,842
-	-	23,198	-	-
-	-	-	-	(1,598)
-0-	-0-	23,198	-0-	(1,598)
(35)	(8,772)	(205)	(53,188)	4,244
345	130,807	8,224	178,711	41,970
\$ 310	\$ 122,035	\$ 8,019	\$ 125,523	\$ 46,214

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Capital Projects Funds - continued			Total Nonmajor Governmental Funds
	Parks	Sanitary Sewer	Drains	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 26,128
Intergovernmental	-	-	-	12,768
Interest and rents	144	598	17,367	38,086
Other	-	-	-	98,580
TOTAL REVENUES	144	598	17,367	175,562
EXPENDITURES				
Current				
Public safety	-	-	-	12,768
Public works	-	-	7,782	129,201
Capital outlay	14,443	132,869	66,634	269,330
Debt service	-	-	-	69,388
TOTAL EXPENDITURES	14,443	132,869	74,416	480,687
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,299)	(132,271)	(57,049)	(305,125)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	23,198
Operating transfers out	-	-	(41,861)	(43,459)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(41,861)	(20,261)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(14,299)	(132,271)	(98,910)	(325,386)
Fund balances, beginning of year	47,429	137,920	708,479	1,412,053
Fund balances, end of year	\$ 33,130	\$ 5,649	\$ 609,569	\$ 1,086,667

Charter Township of Lansing

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2004

	Agency Funds		
	Trust and Agency	Current Tax	Total
ASSETS			
Cash and cash equivalents	\$ 33,155	\$ 904,920	\$ 938,075
LIABILITIES			
Due to primary government	\$ -	\$ 260,171	\$ 260,171
Due to component unit	-	30,675	30,675
Due to other governmental units - local	33,155	614,074	647,229
TOTAL LIABILITIES	\$ 33,155	\$ 904,920	\$ 938,075

Charter Township of Lansing

Component Unit Fund

BALANCE SHEET

December 31, 2004

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 331,431
Taxes receivable	321,751
Due from fiduciary funds	<u>30,675</u>
TOTAL ASSETS	<u><u>\$ 683,857</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 114,043
Due to primary government	25,895
Deferred revenue	<u>495,709</u>
TOTAL LIABILITIES	635,647
FUND BALANCE	
Unreserved	
Undesignated	<u>48,210</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 683,857</u></u>

Charter Township of Lansing

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2004

Fund balance - governmental fund	\$ 48,210
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Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Long-term liabilities at year-end consist of:

Long-term obligation	(53,069)	
Accrued interest payable	<u>(1,148)</u>	
		<u>(54,217)</u>

Net assets of governmental activities	\$ <u>(6,007)</u>
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Charter Township of Lansing

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended December 31, 2004

	<u>Downtown Development Authority</u>
REVENUES	
Taxes	\$ 335,473
Interest	<u>2,893</u>
TOTAL REVENUES	338,366
EXPENDITURES	
Current	
Community and economic development	280,442
Debt service	19,556
Capital outlay	<u>21,333</u>
TOTAL EXPENDITURES	<u>321,331</u>
EXCESS OF REVENUES OVER EXPENDITURES	17,035
Fund balance, beginning of year	<u>31,175</u>
Fund balance, end of year	<u><u>\$ 48,210</u></u>

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
- DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2004

Net change in fund balance	\$ 17,035
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Amounts reported for governmental activities in the statement of activities are different because:

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Principal retirement	15,974
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>345</u>
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Change in net assets of governmental activities	<u><u>\$ 33,354</u></u>
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
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Public Accountants
and
Michigan Association of
Certified Public
Accountants

MANAGEMENT LETTER

To the Members of the Township Board
Charter Township of Lansing
Lansing, Michigan

As you know, we have recently completed our audit of the records of the Charter Township of Lansing, Michigan as of and for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. The Township should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the Township had outstanding checks listed on their Current Tax and Fire Department bank reconciliations that were up to four (4) years old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

We suggest the Township attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the Township review their unclaimed property and escheat funds to the State of Michigan as necessary.

2. The Board of Trustees should consider adopting additional administrative policies and procedures.

Based on our discussions with management, we noted that the Board of Trustees has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. This documentation also helps to provide greater internal control in those areas of operation. Specifically, we suggest that the Board develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Capital asset management - We suggest that the Board adopt a policy for the acquisition and disposal of capital assets. The policy should specify that the disposal of capital assets requires formal approval by the Board of Trustees and the dollar threshold to be used for asset capitalization. Such approval should be documented in the minutes of the Board meetings.
- b. Electronic funds transfer policy - We suggest that the Board adopt a policy for electronic fund transfers. The Township has used electronic fund transfers but did not have the necessary electronic funds policy required by the State of Michigan. The Township should adopt a formal electronic fund transfer policy as soon as possible to comply with State of Michigan requirements.

- c. Disaster recovery plan - We suggest the Board adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.
 - d. Code of conduct - We suggest the Board adopt a code of conduct. The code should include a policy on conflicts of interest and the Board should require employees to periodically make a declaration of compliance.
 - e. Personnel policy - We suggest the Board review their personnel policies. The Township should conduct background checks on all potential employees. The policy should also require mandatory vacations for employees in positions of financial trust, with those duties performed by another employee during that absence.
 - f. Accounting policies and procedures manual - We suggest the Township formally document any accounting procedures that are currently in place and supplement this with any Board policies that may be required to support those procedures.
3. The Township should review various areas of operation, consider additional segregation of duties and formally implement a program to prevent, deter, and detect fraud.

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in various functions, especially in the area of cash receipts. The Deputy Treasurer is responsible for receipting in payments, making bank deposits, and reconciling cash accounts. The intent of internal controls is to assure that no one individual is able to control all significant aspects of a transaction cycle.

While this is a common occurrence in an organization of this size due to the limited number of employees, the Board of Trustees should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Township Board review various areas of operation and consider additional segregation of duties to provide better controls over these areas. We also suggest that in the future when the Township Board is adopting new or modifying existing financial policies they consider the issue of fraud, and assure that the policies discuss ways that will prevent, deter, and detect fraud within the area the policy is addressing.

4. The Township should comply with the State of Michigan Uniform Chart of Accounts.

In April 2002, the State of Michigan revised the Uniform Chart of Accounts for Counties and Local Units of Government, modifying certain fund numbers and activity classifications. During the course of our audit, we noted that the Township has not implemented a change required to be in conformity with the Uniform Chart of Accounts. The West Side Water enterprise fund presented in the financial statements does not exist in the Township's accounting system (it is consolidated into this form by outside accountants for reporting purposes).

We suggest the Township implement the necessary changes to the chart of accounts so that it conforms with the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan.

5. The Township should review its internal control policies and procedures.

During our tests of transactions, we noted several instances of noncompliance with the Township's internal controls. Of twenty-five (25) utility billings tested, we noted one (1) instance in which a customer was billed the base rate twice and two (2) instances in which a customer was not charged the appropriate rate for sewer usage (this has since been corrected in the Township's billing system). Of twenty-five (25) payroll transactions tested, we noted three (3) instances in which the payment claim was missing required signatures for supervisor/clerk. It was also noted that invoices paid for expenses of the West Side Water department are not defaced or otherwise marked as paid subsequent to payment.

We suggest the Township review its internal control policies and implement procedures to assure that the policies are adhered to in practice.

6. Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund.

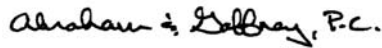
The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Township monitor expenditures against final amended adopted budgets and make appropriate budget amendments as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. These conditions did not affect our report on the financial statements dated April 4, 2005.

This report is intended solely for the information of management and the Members of the Board of Trustees of the Charter Township of Lansing and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 4, 2005